

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE CALIFORNIA ECONOMY

The importance of small business to the state of California is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, California had 800,091 businesses with employees; 99.2 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 1,418,000 self-employed persons in 1996, for an estimated total of 2,218,091 businesses.

Small Business Income - The income of sole proprietors and partners rose 4.7 percent to \$74.6 billion in 1996, while wage-and-salary income rose 6.2 percent. Total personal income rose 6.0 percent to \$515.3 billion. The state also exported \$98.6 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 1,082,300 women-owned businesses in California, including part-time firms, employing 2,336,700 people and generating \$313.8 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 77.7 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 44.5 percent from 1987 to 1992, totaling 68,968 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 88.9 percent during the same time period with 249,717 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 147,633 in 1987, to 232,672 in 1992, representing a 57.6 percent increase.

Business Turnover - The number of new firms increased 9.2 percent, while new business incorporations increased 5.1 percent in 1996. Financial difficulties leading to business bankruptcies decreased by 2.9 percent and business failures increased by 3.5 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in California decreased from 418 in 1994 to 367 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
SIX RIVERS NB	Eureka
BANK OF SAN BERNARDINO	San Bernardino
SAEHAN BK	Los Angeles
SCRIPPS BK	La Jolla
COMMUNITY T&LA	Monterey Park
VALLE DE ORO BK NA	Spring Valley
CAPITOL T&LA	Napa
HANMI BK	Los Angeles
SAN JOAQUIN BK	Bakersfield
NATIONAL BK OF THE REDWOODS	Santa Rosa
MARINE NB	Irvine
PLUMAS BK	Quincy
WELLS FARGO HSBC TRADE BK NA	San Francisco
TRI COUNTIES BK	Chico
VALLIWIDE BK	Fresno
WELLS FARGO BK NA	San Francisco

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 65.1 percent of the small business growth with 874,318 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	624,407	249,911	174,229	295,077	(277,443)	1,066,182
Manufacturing	24,585	39,546	40,227	50,384	(197,584)	(42,842)
Retail Trade	55,078	11,823	17,760	9,371	(43,409)	50,623
Services	357,719	127,476	110,318	192,859	76,502	864,874
Other	187,025	71,066	5,926	42,462	(112,951)	193,527

Industries - The composition of small business in California is very diverse. The Eating & Drinking Places industry is the largest small business employer in California, followed by Business Services. The fastest

growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in California by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	10,624,354	100.0	54.6
Health Services	8000	1,021,727	9.6	41.6
Business Services	7300	841,939	7.9	51.1
Eating & Drinking Places	5800	794,285	7.5	66.3
Wholesale Trade - Durable Goods	5000	469,429	4.4	68.5
Engineering, Accounting, Research, Management, & Related Services	8700	391,245	3.7	60.5

Table 2, Top Five Small Business Industries in California by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	5,804,649	100.0	54.6
Eating & Drinking Places	5800	526,876	7.5	66.3
Business Services	7300	430,100	7.9	51.1
Health Services	8000	424,874	9.6	41.6
Wholesale Trade - Durable Goods	5000	321,472	4.4	68.5
Special Trade Contractors	1700	284,832	2.9	92.7

Table 3, Fastest Growing Industries for Small Business in California, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	5,837,975	5,804,649	(33,326)	(0.6)
Nondepository Credit Institutions	35,197	39,233	4,036	11.5
Transportation Services	39,852	42,095	2,243	5.6
Educational Services	101,103	106,010	4,907	4.9
Communications	25,548	26,769	1,221	4.8
Security & Commodity Brokers, Dealers, Exchanges, & Services	18,895	19,650	755	4.0

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.